Congress of the United States
Washington, DC 20515

June 17, 2010

The Honorable Nancy Pelosi
Office of the Speaker
H-232, U.S. Capitol
Washington, DC 20515

The Honorable Steny H. Hoyer
Office of the Majority Leader
H-107, U.S. Capitol
Washington, DC 20515

The Honorable Barney Frank
Chairman
House Financial Services Committee
2129 RHOB
Washington, DC 20515

The Honorable Colin C. Peterson
Chairman
House Agriculture Committee
1301 LHOB
Washington, DC 20515

Dear Speaker Pelosi, Majority Leader Hoyer, Chairman Frank and Chairman Peterson:

As you work to reconcile the recently-passed Senate amendments to the House-passed Wall Street Reform and Consumer Protection Act with the bill as originally passed by the House of Representatives, we write to express our deep concerns about the potential implications of the provisions contained in the Senate bill regarding derivatives trading. The Senate-passed version of H.R. 4173 includes a number of provisions that could have the unintended consequences of actually increasing systemic risks, reducing the ability of legitimate commercial end users to hedge exposures, and making it more expensive and difficult for states, municipalities and pension funds to issue bonds.

In particular, we have serious concerns about language contained in the Senate bill that would bar banks involved in derivatives trading from access to several important federal banking institutions, including the Fed window and the Federal Deposit Insurance Corporation. While we strongly believe that more transparency and accountability is needed in our derivatives markets, we believe a better approach would be to address regulating the derivatives markets through a thoughtful separation of proprietary trading and traditional commercial banking activities. The House-passed language, requiring the use of exchanges or clearinghouses for derivatives trades, is far more pragmatic than the Senate's approach and more sensibly addresses one of the major regulatory deficiencies that led to the near-collapse of our financial system in 2008. The effect of the Senate provision would be to force America's largest banks to spin off their derivatives trading activities, and would increase systemic risk by making it more difficult to regulate the derivatives market through undercapitalized corporate affiliates.

We are deeply concerned by the very real possibility that, as a result of the Senate derivatives provision, America's largest financial institutions will move their $600 trillion derivatives businesses overseas, at the expense of both the U.S. economy, as well as the economy of New York State and New York City. Aside from the immediate and long-lasting economic impact of the Senate's language, we are further concerned by the implications of such a large industry moving abroad, where many other sensible mandates and protections contained in the Wall Street Reform and Consumer Protection Act may not apply. The Senate derivatives language may inadvertently undermine the very intent of the legislation.

As supporters of comprehensive but sensible financial regulatory reform, we ask that you strongly advocate for the House-passed derivatives language during the conference with the Senate on H.R. 4173.

Sincerely,

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| GARY L. ACKERMAN<br>Member of Congress | MICHAEL E. McMAHON<br>Member of Congress |
| JOSEPH CROWLEY<br>Member of Congress | STEVE ISRAEL<br>Member of Congress |
| BRIAN HIGGINS<br>Member of Congress | YVETTE D. CLARKE<br>Member of Congress |
| SCOTT MURPHY<br>Member of Congress | DANIEL B. MAFFEI<br>Member of Congress |
| ELIOT L. ENGEL<br>Member of Congress | CAROLYN McCARTHY<br>Member of Congress |
| NITA M. LOWEY<br>Member of Congress | ANTHONY D. WEINER<br>Member of Congress |

MICHAEL A. ARCURI
Member of Congress

JOHN J. HALL
Member of Congress

cc: All Conferees on H.R. 4173